

***CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022***

CITY OF HUBBARD, OREGON
CITY OFFICIALS
JUNE 30, 2022

<u>Name</u>	MAYOR	<u>Term</u>
Charles Rostocil		December 31, 2022

CITY COUNCIL MEMBERS

James Audritsh, President		December 31, 2024
Tyler Thomas		December 31, 2024
Robert Prinslow		December 31, 2022
James Yonally		December 31, 2022

The above individuals may be contacted at the address below.

3720 2nd Street
Hubbard, Oregon 97032

DIRECTOR OF ADMINISTRATION / CITY RECORDER

Vickie Nogle

FINANCE DIRECTOR

Vacant

CITY OF HUBBARD, OREGON
TABLE OF CONTENTS

	<u>Page</u>
<i>FINANCIAL SECTION</i>	
Independent Auditor’s Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position (Modified Cash Basis)	10
Statement of Activities (Modified Cash Basis)	11-12
Fund Financial Statements	
Balance Sheet (Modified Cash Basis) - Governmental Funds	13-14
Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Governmental Funds	15-16
Statement of Fund Net Position (Modified Cash Basis) - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Proprietary Funds	18
Statement of Cash Flows (Modified Cash Basis) - Proprietary Funds	19
Notes to Basic Financial Statements	20-32
Supplemental Information	
Schedules of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Governmental Funds - Budget and Actual	
General Fund	33
Street Fund	34
Parks Improvement Fund	35
Street Construction Fund	36
Reserve Fund	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Water Operations	38
Schedules of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Proprietary Funds - Budget and Actual	
Water Fund	39
Water Construction Fund	40
Water Bond Fund	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Sewer Operations	42
Schedules of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Proprietary Funds - Budget and Actual	
Sewer Fund	43
Sewer Construction Fund	44
Sewer Bond Fund	45
 <i>COMPLIANCE SECTION</i>	
Independent Auditor’s Report Required by Oregon State Regulations	46-47

FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Hubbard
3720 Second Street
Hubbard, Oregon 97032

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of the City of Hubbard, Oregon (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City as of June 30, 2022, and the respective changes in financial position - modified cash and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in the summary of significant accounting policies notes.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

We draw attention to the notes to basic financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in the notes to basic financial statements, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplemental information and management’s discussion and analysis are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management’s discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 9, 2023, on our consideration of the City’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
March 9, 2023

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

As management of the City of Hubbard, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2022	2021	
Net position	\$ 7,037,327	\$ 6,054,475	\$ 982,852
Change in net position	982,852	455,315	527,537
Governmental net position	3,268,645	2,388,197	880,448
Proprietary net position	3,768,682	3,666,278	102,404
Change in governmental net position	880,448	58,252	822,196
Change in proprietary net position	102,404	397,063	(294,659)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

Statement of Net Position (Modified Cash Basis). The *statement of net position (modified cash basis)* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities (Modified Cash Basis). The *statement of activities (modified cash basis)* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position. All changes in net position are reported as soon as funds are received or paid. Thus, revenues and expenditures are reported in this statement as cash flows occur.

In the government-wide financial statements, the City's activities are shown as governmental and business-type activities. All basic governmental functions are shown here, such as police and court, streets, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental revenues. The City's business-type (water and sewer) activities are primarily financed through user charges.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Proprietary Funds. The City charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* including combining reconciliations, schedules of revenues, expenditures and changes in fund balance - budget and actual for all funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Modified Cash Basis). The statement of net position (modified cash basis) is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7 million as of June 30, 2022.

Net position - restricted represent resources that are subject to external restrictions on their use, such as debt service payments or capital acquisitions.

Net position - unrestricted are available for general operations of the City.

City of Hubbard
Statements of Net Position (Modified Cash Basis)
June 30,

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 3,291,531	\$ 3,783,780	\$ 7,075,311	\$ 2,411,085	\$ 3,682,440	\$ 6,093,525
<i>Liabilities</i>						
Due to other governments	2,176	-	2,176	11,910	-	11,910
Deposits	20,710	15,098	35,808	10,978	16,162	27,140
Total liabilities	22,886	15,098	37,984	22,888	16,162	39,050
<i>Net Position</i>						
Restricted	1,390,361	2,945,074	4,335,435	781,556	2,889,766	3,671,322
Unrestricted	1,878,284	823,608	2,701,892	1,606,641	776,512	2,383,153
Total net position	<u>\$ 3,268,645</u>	<u>\$ 3,768,682</u>	<u>\$ 7,037,327</u>	<u>\$ 2,388,197</u>	<u>\$ 3,666,278</u>	<u>\$ 6,054,475</u>

Statement of Activities. During the current fiscal year, the City's net position increased by \$983 thousand. The key elements of the change in the City's net position for the year ended June 30, 2022 are as follows:

- Charges for services revenues increased by \$71 thousand due to increased utility billings.
- Operating grants increased by \$433 thousand primarily due to the receipt of an ARPA grant.
- Property tax revenue increased by \$67 thousand due to increased collections by the County.
- Street expenses decreased by \$289 thousand as a result of multiple projects being completed in the last year.
- Water expenses increased by \$145 thousand as a result of additional payments in debt and an increase in capital outlay as compared to the prior year.
- Sewer expenses increased by \$168 thousand as a result of an increase in personnel costs and capital outlay as compared to the prior year.

City of Hubbard
Statements of Activities (Modified Cash Basis)
Year Ended June 30,

	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 439,714	\$ 1,277,107	\$ 1,716,821	\$ 423,281	\$ 1,222,560	\$ 1,645,841
Operating grants	699,671	-	699,671	267,001	-	267,001
Capital grants	67,722	17,684	85,406	121,528	16,682	138,210
General Revenues						
Property taxes	1,013,165	-	1,013,165	946,108	-	946,108
Franchise and other taxes	208,688	-	208,688	219,182	-	219,182
Intergovernmental	146,531	-	146,531	152,740	-	152,740
Miscellaneous	48,141	44,572	92,713	78,374	42,531	120,905
<i>Total Revenues</i>	<u>2,623,632</u>	<u>1,339,363</u>	<u>3,962,995</u>	<u>2,208,214</u>	<u>1,281,773</u>	<u>3,489,987</u>
Expenses						
General government	155,550	-	155,550	206,617	-	206,617
Police and court	1,219,990	-	1,219,990	1,268,178	-	1,268,178
Community development	84,980	-	84,980	91,386	-	91,386
Parks	193,273	-	193,273	172,802	-	172,802
Streets	224,697	-	224,697	513,968	-	513,968
Water	-	548,922	548,922	-	403,598	403,598
Sewer	-	546,087	546,087	-	378,123	378,123
<i>Total Expenses</i>	<u>1,885,134</u>	<u>1,095,009</u>	<u>2,980,143</u>	<u>2,252,951</u>	<u>781,721</u>	<u>3,034,672</u>
Transfers	141,950	(141,950)	-	102,989	(102,989)	-
Change in net position	880,448	102,404	982,852	58,252	397,063	455,315
Net position, beginning of year	2,388,197	3,666,278	6,054,475	2,329,945	3,269,215	5,599,160
Net position, end of year	<u>\$ 3,268,645</u>	<u>\$ 3,768,682</u>	<u>\$ 7,037,327</u>	<u>\$ 2,388,197</u>	<u>\$ 3,666,278</u>	<u>\$ 6,054,475</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services on a fund basis. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of net resources available for spending at the end of a fiscal year.

At June 30, 2022, the City's governmental funds reported combined ending fund balances of \$3.3 million, an increase of \$880 thousand in comparison with prior year.

General Fund - The General Fund is the primary operating fund of the City. The fund balance was \$2.2 million as of June 30, 2022. The fund balance increased by \$640 thousand during the current fiscal year, primarily due to increases in taxes and assessments and ARPA grant revenue. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 130 percent of the total of General Fund expenditures.

Street Fund - Fund balance increased by \$53 thousand during the current fiscal year primarily due to increases in charges for services and intergovernmental revenue.

Parks Improvement Fund - Fund balance increased by \$32 thousand during the current fiscal year as a result of an increase in intergovernmental revenues with limited expenditures to offset the revenue.

Street Construction Fund – Fund balance increased by \$128 thousand during the current fiscal year as a result of a significant increase in intergovernmental revenues with no expenditures to offset the revenue.

Enterprise Funds - The City’s enterprise funds provide water and sanitary sewer services to customers. As with the governmental funds, net position may serve as a useful measure of net resources available for spending at the end of a fiscal year.

Water Operations – Net position increased by \$18 thousand during the current fiscal year. This was due primarily to an increase in charges for services and a large increase in debt payments to offset the revenue.

Sewer Operations – Net position increased by \$84 thousand during the current fiscal year. This was due primarily to an increase in charges for services and large increases in operational expenses.

LONG-TERM DEBT

The City had total debt outstanding of \$227 thousand at the end of the current fiscal year. During the current fiscal year, the City's total debt decreased by \$269 thousand (69 percent). The decrease is due to a planned early payoff of the 2013 water refunding bonds.

Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Capital leases	\$ 71,862	\$ 107,951	\$ -	\$ -	\$ 71,862	\$ 107,951
Oregon DEQ loan	-	-	154,958	203,509	154,958	203,509
Water refunding bonds	-	-	-	184,201	-	184,201
	<u>\$ 71,862</u>	<u>\$ 107,951</u>	<u>\$ 154,958</u>	<u>\$ 387,710</u>	<u>\$ 226,820</u>	<u>\$ 495,661</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total real market value. The City has no outstanding general obligation debt.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2022-23 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City of Hubbard's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Hubbard
Attn: Director of Administration/City Recorder
P.O. Box 380
3720 2nd Street
Hubbard, Oregon 97032
503-981-9633

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 3,291,531	\$ 3,783,780	\$ 7,075,311
LIABILITIES			
Due to other governments	2,176	-	2,176
Deposits	20,710	15,098	35,808
<i>Total Liabilities</i>	22,886	15,098	37,984
NET POSITION			
Restricted for:			
Capital acquisition	808,605	2,917,831	3,726,436
Debt payments	-	27,243	27,243
Streets	185,281	-	185,281
ARPA funds	396,475	-	396,475
Unrestricted	1,878,284	823,608	2,701,892
<i>Total Net Position</i>	<u>\$ 3,268,645</u>	<u>\$ 3,768,682</u>	<u>\$ 7,037,327</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution
Governmental activities				
General government	\$ 155,550	\$ 153,780	\$ 413,392	\$ -
Police and court	1,219,990	115,429	-	-
Community development	84,980	69,499	15,000	-
Parks	193,273	-	-	9,116
Streets	224,697	101,006	271,279	58,606
Interest on long-term debt	6,644	-	-	-
<i>Total Governmental activities</i>	1,885,134	439,714	699,671	67,722
Business-type activities				
Water	548,922	596,774	-	7,026
Sewer	546,087	680,333	-	10,658
<i>Total Business-type activities</i>	1,095,009	1,277,107	-	17,684
<i>Total Activities</i>	\$ 2,980,143	\$ 1,716,821	\$ 699,671	\$ 85,406

General Revenues

Property taxes
Franchise and other taxes
Intergovernmental
Miscellaneous

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year

Net Position - end of year

The accompanying notes are an integral part of the financial statements.

*Net (Expenses) Revenues
and Changes in Net Position*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ 411,622	\$ -	\$ 411,622
(1,104,561)	-	(1,104,561)
(481)	-	(481)
(184,157)	-	(184,157)
206,194	-	206,194
(6,644)	-	(6,644)
(678,027)	-	(678,027)
-	54,878	54,878
-	144,904	144,904
-	199,782	199,782
(678,027)	199,782	(478,245)
1,013,165	-	1,013,165
208,688	-	208,688
146,531	-	146,531
48,141	44,572	92,713
1,416,525	44,572	1,461,097
141,950	(141,950)	-
880,448	102,404	982,852
2,388,197	3,666,278	6,054,475
<u>\$ 3,268,645</u>	<u>\$ 3,768,682</u>	<u>\$ 7,037,327</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON**BALANCE SHEET (MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS**

JUNE 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
		<u>Street</u>	<u>Parks Improvement</u>	<u>Street Construction</u>
ASSETS				
Cash and cash equivalents	\$ 2,182,663	\$ 185,449	\$ 405,546	\$ 403,059
LIABILITIES AND FUND BALANCE				
Liabilities				
Due to other governments	\$ 2,008	\$ 168	\$ -	\$ -
Deposits	20,710	-	-	-
<i>Total Liabilities</i>	22,718	168	-	-
Fund Balance				
Restricted for:				
Capital acquisition	-	-	405,546	403,059
Streets	-	185,281	-	-
ARPA funds	369,475	-	-	-
Committed to:				
Capital acquisition	-	-	-	-
Unassigned	1,790,470	-	-	-
<i>Total Fund Balance</i>	2,159,945	185,281	405,546	403,059
<i>Total Liabilities and Fund Balance</i>	\$ 2,182,663	\$ 185,449	\$ 405,546	\$ 403,059

The accompanying notes are an integral part of the financial statements.

<i>Capital Projects</i>	
<i>(Non-major)</i>	
<i>Reserve</i>	<i>Total</i>
\$ 114,814	\$ 3,291,531
\$ -	\$ 2,176
-	20,710
-	22,886
-	808,605
-	185,281
-	369,475
114,814	114,814
-	1,790,470
114,814	3,268,645
\$ 114,814	\$ 3,291,531

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
		<u>Street</u>	<u>Parks Improvement</u>	<u>Street Construction</u>
REVENUES				
Taxes and assessments	\$ 1,013,165	\$ -	\$ -	\$ -
Fines and forfeitures	123,364	-	-	-
Licenses and permits	73,650	2,480	9,116	8,606
Charges for services	350,382	98,527	-	-
Intergovernmental	551,647	203,459	23,275	117,820
Miscellaneous	42,139	1,070	2,152	2,013
<i>Total Revenues</i>	<u>2,154,347</u>	<u>305,536</u>	<u>34,543</u>	<u>128,439</u>
EXPENDITURES				
Current				
General government	155,550	-	-	-
Police and court	1,183,901	-	-	-
Community development	84,980	-	-	-
Parks	190,793	-	-	-
Streets	-	222,327	-	-
Capital acquisitions	-	-	2,480	-
Debt service				
Principal	36,089	-	-	-
Interest	6,644	-	-	-
<i>Total Expenditures</i>	<u>1,657,957</u>	<u>222,327</u>	<u>2,480</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>496,390</u>	<u>83,209</u>	<u>32,063</u>	<u>128,439</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,130	-	-	-
Transfers out	(6,500)	(30,600)	(366)	(414)
Proceeds from sale of assets	221	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>143,851</u>	<u>(30,600)</u>	<u>(366)</u>	<u>(414)</u>
NET CHANGE IN FUND BALANCE	<u>640,241</u>	<u>52,609</u>	<u>31,697</u>	<u>128,025</u>
FUND BALANCE, beginning of year	<u>1,519,704</u>	<u>132,672</u>	<u>373,849</u>	<u>275,034</u>
FUND BALANCE, end of year	<u>\$ 2,159,945</u>	<u>\$ 185,281</u>	<u>\$ 405,546</u>	<u>\$ 403,059</u>

The accompanying notes are an integral part of the financial statements.

<i>Capital Projects</i>	
<i>(Non-major)</i>	
<i>Reserve</i>	<i>Total</i>
\$ -	\$ 1,013,165
-	123,364
-	93,852
-	448,909
-	896,201
546	47,920
<hr/>	
546	2,623,411
-	155,550
-	1,183,901
-	84,980
-	190,793
-	222,327
2,370	4,850
-	36,089
-	6,644
<hr/>	
2,370	1,885,134
<hr/>	
(1,824)	738,277
29,700	179,830
-	(37,880)
-	221
<hr/>	
29,700	142,171
<hr/>	
27,876	880,448
86,938	2,388,197
<hr/>	
\$ 114,814	\$ 3,268,645
<hr/>	

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) – PROPRIETARY FUNDS

JUNE 30, 2022

	<u>Water</u> <u>Operations</u>	<u>Sewer</u> <u>Operations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,637,647	\$ 2,146,133	\$ 3,783,780
LIABILITIES			
Current liabilities			
Deposits	14,919	179	15,098
NET POSITION			
Restricted for:			
Capital acquisition	1,116,327	1,801,504	2,917,831
Debt payments	-	27,243	27,243
Unrestricted	506,401	317,207	823,608
	<u>1,622,728</u>	<u>2,145,954</u>	<u>3,768,682</u>
<i>Total Net Position</i>	<u>\$ 1,622,728</u>	<u>\$ 2,145,954</u>	<u>\$ 3,768,682</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) – PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2022**

	<i>Water Operations</i>	<i>Sewer Operations</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services	\$ 596,774	\$ 680,333	\$ 1,277,107
Miscellaneous	23,218	-	23,218
<i>Total Operating Revenues</i>	619,992	680,333	1,300,325
OPERATING EXPENSES			
Personnel services	171,690	194,858	366,548
Materials and services	152,276	196,000	348,276
<i>Total Operating Expenses</i>	323,966	390,858	714,824
OPERATING INCOME	296,026	289,475	585,501
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	9,445	11,909	21,354
Capital acquisitions	(33,966)	(99,846)	(133,812)
Debt payments			
Principal	(184,201)	(48,551)	(232,752)
Interest	(6,789)	(6,832)	(13,621)
<i>Total Nonoperating Revenues (Expenses)</i>	(215,511)	(143,320)	(358,831)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	80,515	146,155	226,670
Capital contributions	7,026	10,658	17,684
Transfers out	(69,493)	(72,457)	(141,950)
CHANGE IN NET POSITION	18,048	84,356	102,404
NET POSITION, beginning of year	1,604,680	2,061,598	3,666,278
NET POSITION, end of year	\$ 1,622,728	\$ 2,145,954	\$ 3,768,682

The accompanying notes are an integral part of the financial statements.

CITY OF HUBBARD, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) – PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2022

	<u>Water</u> <u>Operations</u>	<u>Sewer</u> <u>Operations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 595,531	\$ 680,512	\$ 1,276,043
Cash received from other sources	23,218	-	23,218
Cash paid to employees and others for salaries and benefits	(171,690)	(194,858)	(366,548)
Cash paid to suppliers and others	(152,276)	(196,000)	(348,276)
<i>Net Cash Provided by Operating Activities</i>	294,783	289,654	584,437
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out	(69,493)	(72,457)	(141,950)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(33,966)	(99,846)	(133,812)
Principal paid on debt	(184,201)	(48,551)	(232,752)
Interest paid on debt	(6,789)	(6,832)	(13,621)
Capital contributions	7,026	10,658	17,684
<i>Net Cash Used in Capital and Related Financing Activities</i>	(217,930)	(144,571)	(362,501)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9,445	11,909	21,354
<i>Increase in Cash and Cash Equivalents</i>	16,805	84,535	101,340
CASH AND CASH EQUIVALENTS, Beginning of year	1,620,842	2,061,598	3,682,440
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,637,647</u>	<u>\$ 2,146,133</u>	<u>\$ 3,783,780</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income	\$ 296,026	\$ 289,475	585,501
Adjustments			
Increase (decrease) in:			
Customer deposits	(1,243)	179	(1,064)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 294,783</u>	<u>\$ 289,654</u>	<u>\$ 584,437</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hubbard, Oregon was incorporated in 1878 under the provisions of the Oregon Statutes. The City is governed by a City Council and Mayor who are responsible for rule-making, budget preparation and enforcement, expenditure approval, and hiring of the City management personnel. The Mayor and four Councilors are elected by vote of the general public. The Councilors are elected for four years, the Mayor for two years.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents information on all of the assets and liabilities of the City of Hubbard as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Net position is shown as restricted and unrestricted.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental funds (general, special revenue, and capital projects) and proprietary type funds (enterprise). Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets liabilities, revenues, or expenditures/expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following governmental funds as major:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for administration, police and courts, parks, streets, and community development.

Street Fund

Gas tax apportionments received from the State are recorded in this fund. Expenditures are for road construction and maintenance.

Parks Improvement Fund

This fund is used to accumulate resources for future improvements to the City's parks. Primary resources are system development charges and transfers from other funds.

Street Construction Fund

This fund is used to accumulate resources for future improvements to the City's streets. Primary resources are system development charges and transfers from other funds.

The proprietary funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following major proprietary funds:

Water Operations - accounts for the operations, maintenance, debt service, and capital construction projects for water system, which is funded through utility fees, construction fees, and debt proceeds.

Sewer Operations - accounts for the operations, maintenance, and capital construction projects for wastewater system, which is funded through utility fees, construction fees, and debt proceeds.

Fund Balance

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- c. The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:
 1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
 2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
 3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the proprietary funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position, the Proprietary Fund Statement of Net Position, or in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures/expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law. Appropriations are made at the program/function level for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition or need exists which has not been ascertained at the time when the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2022:

	<u><i>Carrying Value</i></u>
<i>Cash</i>	
Cash on hand	\$ 250
Deposits with Xpress pay	1,015
Cash in checking accounts	188,511
<i>Investments</i>	
Local Government Investment Pool	<u>6,885,535</u>
	<u>\$ 7,075,311</u>

Deposits

The book balance of the City’s bank deposits (checking accounts) was \$188,511 and the bank balance was \$323,508 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand accounts and the aggregate of all time and savings deposits accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2022, \$73,508 of the City's bank balances were covered by the PFCP.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill, and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council. At June 30, 2022, the fair value of the position in the Oregon State Treasurer's Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Deposits with Xpress pay

The City contracts with Xpress pay to facilitate online payments for water and sewer customers. The amounts in this account are those payments received by Xpress pay.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

CASH AND CASH EQUIVALENTS (Continued)

Custodial Risk – Investments (Continued)

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

Governmental Activities

	<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2022</i>	<i>Due within One Year</i>
Capital leases	\$ 107,951	\$ -	\$ (36,089)	\$ 71,862	\$ 38,348

Notes from Direct Borrowings – Governmental Activities

Leasing Specialists, LLC Lease Payable: In January 2021, the City entered into three separate \$50,228 agreements with Leasing Specialists, LLC to finance the lease of three police vehicles and related attachments. The leases mature in 2023, 2024 and 2025 respectively, with 6% interest. This loan is secured by equipment. In the event of default, the loan becomes immediately due and payable.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 38,348	\$ 4,385	\$ 42,733
2024	22,913	1,984	24,897
2025	10,601	622	11,223
	\$ 71,862	\$ 6,991	\$ 78,853

Business-Type Activities

	<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2022</i>	<i>Due within One Year</i>
2006 Clean Water Revolving Fund Loan	\$ 203,509	\$ -	\$ (48,551)	\$ 154,958	\$ 50,067
2013 Water Refunding Bonds	184,201	-	(184,201)	-	-
	\$ 387,710	\$ -	\$ (232,752)	\$ 154,958	\$ 50,067

Notes from Direct Borrowings – Business-Type Activities

The 2006 Clean Water Revolving Fund loan originally issued for \$1,076,123 is paid from the Sewer Bond Fund. The note requires annual payments of \$54,486 with interest of 3.1% and is secured by the full faith and credit of the City. In the event of default, the note becomes immediately due and payable. The loan agreement requires a restricted reserve account to be maintained in the amount of \$27,243. The City was in compliance with this requirement at June 30, 2022.

Bonds Payable – Business-Type Activities

2013 Water Refunding Bonds originally issued for \$825,000 are paid from the Water Bond Fund. The note is secured by the full faith and credit of the City. The note requires annual payments of \$95,727 with interest of 2.92% and is secured by the full faith and credit of the City. In addition, net revenues of the system have been pledged as payment for the obligation. In the event of default, the note becomes immediately due and payable. The bond agreement requires a restricted reserve account be maintained in the amount of \$82,500. The bonds were fully paid off in the current year.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 50,067	\$ 4,419	\$ 54,486
2024	51,631	2,855	54,486
2025	53,260	1,226	54,486
	<u>\$ 154,958</u>	<u>\$ 8,500</u>	<u>\$ 163,458</u>

PENSION PLAN

Plan Description – City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided – PERS provides retirement, disability, and death benefits which vary based on a qualified employee’s hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member’s account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

PENSION PLAN (Continued)

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2022 were 28.00% for Tier One/Tier Two employees, 21.747% for OPSRP general service employees, and 26.10% for OPSRP police/fire employees. The City's total contributions to PERS were \$245,181 for fiscal year ended June 30, 2022.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2022 were based on the December 31, 2019 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2022, the City reported a net pension liability of \$935,505 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on a December 31, 2019 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00781771% as of the June 30, 2021 measurement date, compared to 0.00761616% as of June 30, 2020.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

PENSION PLAN (Continued)

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2019 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.40%, projected salary increases of 3.40%, investment rate of return of 6.90%, and mortality rates based on the Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs. These assumptions were based on the results of the 2018 actuarial experience study.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 6.90%, down from 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 5.90%, 6.90%, and 7.90%.

	<u>1% Decrease</u> <u>(5.90%)</u>	<u>Discount Rate</u> <u>(6.90%)</u>	<u>1% Increase</u> <u>(7.90%)</u>
Proportionate share of the net pension liability	\$ 1,837,107	\$ 935,505	\$ 181,190

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP. Total paid on behalf of employees for the fiscal year was \$38,046.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

As required by ORS 243.303(2), all retirees are allowed to continue coverage (at the retirees’ expense) under the group health insurance plan, until age 65 as an other post-employment benefit. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy. The implicit subsidy is not considered material to the City and the related liability has not been included in these financial statements.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2022

INTERFUND TRANSFERS

Interfund transfers for the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 150,130	\$ 6,500
Reserve	29,700	-
Street	-	30,600
Street Construction	-	414
Parks Improvement	-	366
Sewer	-	238,304
Sewer Construction	-	688
Sewer Bond	166,535	-
Water	-	176,427
Water Construction	-	694
Water Bond	107,628	-
	<u>\$ 453,993</u>	<u>\$ 453,993</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2022 occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>General</i>			
Debt service	\$ -	\$ 42,733	\$ (42,733)
<i>Sewer</i>			
Transfers out	(236,343)	(238,304)	(1,961)
<i>Water</i>			
Transfers out	(172,335)	(176,427)	(4,092)
<i>Water Bond</i>			
Debt service	187,500	190,990	(3,490)

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability, and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

SUPPLEMENTAL INFORMATION

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – GENERAL FUND****YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 962,450	\$ 962,450	\$ 1,013,165	\$ 50,715
Fines and forfeitures	104,500	104,500	123,364	18,864
Licenses and permits	69,105	69,105	73,650	4,545
Charges for services	332,210	332,210	350,382	18,172
Intergovernmental	179,000	179,000	551,647	372,647
Miscellaneous	33,200	33,200	42,139	8,939
<i>Total Revenues</i>	1,680,465	1,680,465	2,154,347	473,882
EXPENDITURES				
Administration	223,650	223,650	149,173	74,477
Court	64,580	64,580	52,275	12,305
Council	19,950	19,950	6,377	13,573
Community development	130,120	130,120	84,980	45,140
Police	1,261,500	1,261,500	1,131,626	129,874
Parks	213,500	213,500	190,793	22,707
Debt service				
Principal	-	-	36,089	(36,089)
Interest	-	-	6,644	(6,644)
Contingency	345,313	345,313	-	345,313
<i>Total Expenditures</i>	2,258,613	2,258,613	1,657,957	600,656
REVENUES OVER (UNDER)				
EXPENDITURES	(578,148)	(578,148)	496,390	1,074,538
OTHER FINANCING SOURCES (USES)				
Transfers in	149,632	149,632	150,130	498
Transfers out	(6,500)	(6,500)	(6,500)	-
Proceeds from sale of assets	-	-	221	221
<i>Total Other Financing Sources (Uses)</i>	143,132	143,132	143,851	719
NET CHANGE IN FUND BALANCE	(435,016)	(435,016)	640,241	1,075,257
FUND BALANCE, beginning of year	1,372,163	1,372,163	1,519,704	147,541
FUND BALANCE, end of year	\$ 937,147	\$ 937,147	\$ 2,159,945	\$ 1,222,798

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – STREET FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 100,000	\$ 100,000	\$ 98,527	\$ (1,473)
Licenses and permits	1,100	1,100	2,480	1,380
Intergovernmental	186,071	186,071	203,459	17,388
Miscellaneous	5,100	5,100	1,070	(4,030)
<i>Total Revenues</i>	<u>292,271</u>	<u>292,271</u>	<u>305,536</u>	<u>13,265</u>
EXPENDITURES				
Street	277,500	277,500	222,327	55,173
Contingency	44,087	44,087	-	44,087
<i>Total Expenditures</i>	<u>321,587</u>	<u>321,587</u>	<u>222,327</u>	<u>99,260</u>
REVENUES OVER (UNDER) EXPENDITURES	(29,316)	(29,316)	83,209	112,525
OTHER FINANCING SOURCES (USES)				
Transfers out	(30,600)	(30,600)	(30,600)	-
NET CHANGE IN FUND BALANCE	(59,916)	(59,916)	52,609	112,525
FUND BALANCE, beginning of year	<u>92,751</u>	<u>92,751</u>	<u>132,672</u>	<u>39,921</u>
FUND BALANCE, end of year	<u>\$ 32,835</u>	<u>\$ 32,835</u>	<u>\$ 185,281</u>	<u>\$ 152,446</u>

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – PARKS IMPROVEMENT FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 18,232	\$ 18,232	\$ 9,116	\$ (9,116)
Intergovernmental	215,200	215,200	23,275	(191,925)
Miscellaneous	400	400	2,152	1,752
<i>Total Revenues</i>	233,832	233,832	34,543	(199,289)
EXPENDITURES				
Parks improvement	244,000	244,000	2,480	241,520
REVENUES OVER (UNDER) EXPENDITURES	(10,168)	(10,168)	32,063	42,231
OTHER FINANCING SOURCES (USES)				
Transfers out	(732)	(732)	(366)	366
NET CHANGE IN FUND BALANCE	(10,900)	(10,900)	31,697	42,597
FUND BALANCE, beginning of year	374,891	374,891	373,849	(1,042)
FUND BALANCE, end of year	\$ 363,991	\$ 363,991	\$ 405,546	\$ 41,555

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – STREET CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 17,312	\$ 17,312	\$ 8,606	\$ (8,706)
Intergovernmental	207,024	207,024	117,820	(89,204)
Miscellaneous	4,000	4,000	2,013	(1,987)
<i>Total Revenues</i>	228,336	228,336	128,439	(99,897)
EXPENDITURES				
Street construction	235,900	235,900	-	235,900
REVENUES OVER (UNDER) EXPENDITURES	(7,564)	(7,564)	128,439	136,003
OTHER FINANCING SOURCES (USES)				
Transfers out	(828)	(828)	(414)	414
NET CHANGE IN FUND BALANCE	(8,392)	(8,392)	128,025	136,417
FUND BALANCE, beginning of year	304,534	304,534	275,034	(29,500)
FUND BALANCE, end of year	\$ 296,142	\$ 296,142	\$ 403,059	\$ 106,917

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – RESERVE FUND

YEAR ENDED JUNE 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 300	\$ 300	\$ 546	\$ 246
EXPENDITURES				
Capital outlay	128,812	128,812	2,370	126,442
REVENUES OVER (UNDER) EXPENDITURES	(128,512)	(128,512)	(1,824)	126,688
OTHER FINANCING SOURCES (USES)				
Transfers in	29,700	29,700	29,700	-
NET CHANGE IN FUND BALANCE	(98,812)	(98,812)	27,876	126,688
FUND BALANCE, beginning of year	98,812	98,812	86,938	(11,874)
FUND BALANCE, end of year	\$ -	\$ -	\$ 114,814	\$ 114,814

CITY OF HUBBARD, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – WATER OPERATIONS****YEAR ENDED JUNE 30, 2022**

	<u>Water</u>	<u>Water Construction</u>	<u>Water Bond</u>	<u>Eliminations</u>	<u>Total Water Operations</u>
REVENUES					
Charges for services	\$ 514,258	\$ 82,516	\$ -	\$ -	\$ 596,774
Licenses and permits	-	7,026	-	-	7,026
Miscellaneous	26,446	6,138	79	-	32,663
<i>Total Revenues</i>	540,704	95,680	79	-	636,463
EXPENDITURES					
Water	323,966	-	-	-	323,966
Debt service					
Principal	-	-	184,201	-	184,201
Interest	-	-	6,789	-	6,789
Capital outlay	-	33,966	-	-	33,966
<i>Total Expenditures</i>	323,966	33,966	190,990	-	548,922
REVENUES OVER (UNDER) EXPENDITURES	216,738	61,714	(190,911)	-	87,541
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	107,628	(107,628)	-
Transfers out	(176,427)	(694)	-	107,628	(69,493)
<i>Total Other Financing Sources (Uses)</i>	(176,427)	(694)	107,628	-	(69,493)
CHANGE IN FUND BALANCE	40,311	61,020	(83,283)	-	18,048
FUND BALANCE, beginning of year	466,090	1,055,307	83,283	-	1,604,680
FUND BALANCE, end of year	\$ 506,401	\$ 1,116,327	\$ -	\$ -	\$ 1,622,728

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 484,625	\$ 484,625	\$ 514,258	\$ 29,633
Miscellaneous	23,590	23,590	26,446	2,856
<i>Total Revenues</i>	508,215	508,215	540,704	32,489
EXPENDITURES				
Water	405,180	405,180	323,966	81,214
Contingency	84,085	84,085	-	84,085
<i>Total Expenditures</i>	489,265	489,265	323,966	165,299
REVENUES OVER (UNDER) EXPENDITURES	18,950	18,950	216,738	197,788
OTHER FINANCING SOURCES (USES)				
Transfers out	(172,335)	(172,335)	(176,427)	(4,092)
CHANGE IN FUND BALANCE	(153,385)	(153,385)	40,311	193,696
FUND BALANCE, beginning of year	438,534	438,534	466,090	27,556
FUND BALANCE, end of year	\$ 285,149	\$ 285,149	\$ 506,401	\$ 221,252

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 110,000	\$ 110,000	\$ 82,516	\$ (27,484)
Licenses and permits	14,052	14,052	7,026	(7,026)
Miscellaneous	2,500	2,500	6,138	3,638
<i>Total Revenues</i>	126,552	126,552	95,680	(30,872)
EXPENDITURES				
Water construction	150,000	150,000	33,966	116,034
REVENUES OVER (UNDER) EXPENDITURES	(23,448)	(23,448)	61,714	85,162
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,388)	(1,388)	(694)	694
CHANGE IN FUND BALANCE	(24,836)	(24,836)	61,020	85,856
FUND BALANCE, beginning of year	1,075,635	1,075,635	1,055,307	(20,328)
FUND BALANCE, end of year	\$ 1,050,799	\$ 1,050,799	\$ 1,116,327	\$ 65,528

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER BOND FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 79	\$ (21)
EXPENDITURES				
Debt service				
Principal	185,000	185,000	184,201	799
Interest	2,500	2,500	6,789	(4,289)
<i>Total Expenditures</i>	<u>187,500</u>	<u>187,500</u>	<u>190,990</u>	<u>(3,490)</u>
REVENUES OVER (UNDER) EXPENDITURES	(187,400)	(187,400)	(190,911)	(3,511)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>104,235</u>	<u>104,235</u>	<u>107,628</u>	<u>3,393</u>
CHANGE IN FUND BALANCE	(83,165)	(83,165)	(83,283)	(118)
FUND BALANCE, beginning of year	<u>83,165</u>	<u>83,165</u>	<u>83,283</u>	<u>118</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUBBARD, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – SEWER OPERATIONS****YEAR ENDED JUNE 30, 2022**

	<u>Sewer</u>	<u>Sewer Construction</u>	<u>Sewer Bond</u>	<u>Eliminations</u>	<u>Total Sewer Operations</u>
REVENUES					
Charges for services	\$ 523,563	\$ 156,770	\$ -	\$ -	\$ 680,333
Licenses and permits	-	10,658	-	-	10,658
Miscellaneous	2,003	9,894	12	-	11,909
<i>Total Revenues</i>	<u>525,566</u>	<u>177,322</u>	<u>12</u>	<u>-</u>	<u>702,900</u>
EXPENDITURES					
Sewer	390,858	-	-	-	390,858
Debt service					
Principal	-	-	48,551	-	48,551
Interest	-	-	6,832	-	6,832
Capital outlay	-	99,846	-	-	99,846
<i>Total Expenditures</i>	<u>390,858</u>	<u>99,846</u>	<u>55,383</u>	<u>-</u>	<u>546,087</u>
REVENUES OVER (UNDER) EXPENDITURES	134,708	77,476	(55,371)	-	156,813
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	166,535	(166,535)	-
Transfers out	(238,304)	(688)	-	166,535	(72,457)
<i>Total Other Financing Sources (Uses)</i>	<u>(238,304)</u>	<u>(688)</u>	<u>166,535</u>	<u>-</u>	<u>(72,457)</u>
CHANGE IN FUND BALANCE	(103,596)	76,788	111,164	-	84,356
FUND BALANCE, beginning of year	<u>296,199</u>	<u>1,724,716</u>	<u>40,683</u>	<u>-</u>	<u>2,061,598</u>
FUND BALANCE, end of year	<u>\$ 192,603</u>	<u>\$ 1,801,504</u>	<u>\$ 151,847</u>	<u>\$ -</u>	<u>\$ 2,145,954</u>

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 495,000	\$ 495,000	\$ 523,563	\$ 28,563
Miscellaneous	60	60	2,003	1,943
<i>Total Revenues</i>	495,060	495,060	525,566	30,506
EXPENDITURES				
Sewer	425,600	445,560	390,858	54,702
Contingency	97,848	77,888	-	77,888
<i>Total Expenditures</i>	523,448	523,448	390,858	132,590
REVENUES OVER (UNDER) EXPENDITURES	(28,388)	(28,388)	134,708	163,096
OTHER FINANCING SOURCES (USES)				
Transfers out	(236,343)	(236,343)	(238,304)	(1,961)
CHANGE IN FUND BALANCE	(264,731)	(264,731)	(103,596)	161,135
FUND BALANCE, beginning of year	298,194	298,194	296,199	(1,995)
FUND BALANCE, end of year	\$ 33,463	\$ 33,463	\$ 192,603	\$ 159,140

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 158,000	\$ 158,000	\$ 156,770	\$ (1,230)
Licenses and permits	21,316	21,316	10,658	(10,658)
Miscellaneous	2,800	2,800	9,894	7,094
<i>Total Revenues</i>	182,116	182,116	177,322	(4,794)
EXPENDITURES				
Sewer construction	230,000	230,000	99,846	130,154
REVENUES OVER (UNDER) EXPENDITURES	(47,884)	(47,884)	77,476	125,360
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,376)	(1,376)	(688)	688
CHANGE IN FUND BALANCE	(49,260)	(49,260)	76,788	126,048
FUND BALANCE, beginning of year	1,709,437	1,709,437	1,724,716	15,279
FUND BALANCE, end of year	\$ 1,660,177	\$ 1,660,177	\$ 1,801,504	\$ 141,327

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER BOND FUND

YEAR ENDED JUNE 30, 2022

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 300	\$ 300	\$ 12	\$ (288)
EXPENDITURES				
Debt service				
Principal	204,000	204,000	48,551	155,449
Interest	2,500	2,500	6,832 *	(4,332)
<i>Total Expenditures</i>	<u>206,500</u>	<u>206,500</u>	<u>55,383</u>	<u>151,117</u>
REVENUES OVER (UNDER) EXPENDITURES	(206,200)	(206,200)	(55,371)	150,829
OTHER FINANCING SOURCES (USES)				
Transfers in	166,535	166,535	166,535	-
CHANGE IN FUND BALANCE	(39,665)	(39,665)	111,164	150,829
FUND BALANCE, beginning of year	<u>39,665</u>	<u>39,665</u>	<u>40,683</u>	<u>1,018</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,847</u>	<u>\$ 151,847</u>

* Budget was adopted at the category level. This is not a budget violation.

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Hubbard
3720 Second Street
Hubbard, Oregon 97032

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Hubbard, Oregon as of and for the year ended June 30, 2022, and have issued our report thereon dated March 9, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except for expenditures in excess of appropriations as detailed in the notes to the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

This report is intended solely for the information and use of the City Council and management of the City of Hubbard, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, A Shareholder
March 9, 2023